

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-11 LAB-06

NSAE-00 RSC-01 SIL-01 SAM-01 AF-10 TRSE-00 DODE-00

PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SP-03 SS-20

USIA-15 DRC-01 (ISO) W

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R 021020Z AUG 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 170

INFO AMCONSUL OPORTO

UNCLAS LISBON 3286

E.O. 11652: N/A

TAGS: ELAB, PINT, PO

SUBJ: APPLIED MAGNETICS-SITUATION REPORT

REFS: (A) LISBON 3141; (B) LISBON 3170

1. LOCAL MANAGEMENT-LEVEL EMPLOYEE OF APPLIED MAGNETICS (AM) REPORTED AUGUST 1 THAT CANADIAN MANAGER OF COMPANY DEPARTED LISBON EVENING OF JULY 31 WITHOUT INFORMING ANYONE. LOCAL EMPLOYEE SUBSEQUENTLY RECEIVED A TELEX FROM LONDON SAYING MANAGER WAS ON HIS WAY TO CALIFORNIA HEADQUARTERS OF AM IN ORDER TO REPORT LATEST DEVELOPMENTS AND HELP COMPANY REACH A DECISION ABOUT CONTINUING OPERATIONS IN PORTUGAL. CONCERNING LATTER POINT, TELEX CONCLUDED THAT PROSPECTS FOR CONTINUING WERE NOT BRIGHT. TELEX DIRECTED LOCAL EMPLOYEE TO INFORM LABOR MINISTRY OF MANAGER'S MISSION AND WHEREABOUTS.

2. LOCAL AM EMPLOYEE STATES LABOR MINISTRY VERY UPSET BY MANAGER'S UNANNOUNCED DEPARTURE BECAUSE THEY FEEL ITS PRESSAGES CLOSING OF PLANT, WHICH WILL LEAVE THEM WITH LARGE UNEMPLOYMENT
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PROBLEM ON THEIR HANDS. LOCAL EMPLOYEE ALSO

FEARS VIOLENT REACTION BY FACTORY WORKERS ONCE MANAGER'S DEPARTURE BECOMES KNOWN.

3. CONCERNING AM'S NEGOTIATIONS WITH MINISTRY OF FINANCE FOR FINANCIAL HELP, WE WERE TOLD BY AM MANGER LAST MONDAY (JULY 29) THAT DISCUSSIONS WERE PROCEEDING WELL WITH A "75 PER CENT CHANCE FOR SUCCESS." QUERIED ABOUT THESE DISCUSSIONS, LOCAL AM EMPLOYEE REPORTED AM MANAGER HAD SUBSEQUENTLY BEEN UPSET WITH DEVELOPMENTS. MINISTRY OF FINANCE, HE SAID, HAD OFFERED TO MAKE AM A SHORT TERM LOAN, TO BE REPAYED BY END OF DECEMBER 1974, PROVIDED THAT AM SUBSTANTIALLY INCREASED ITS SOCIAL CAPITAL. AM FELT THAT PAYBACK PERIOD WAS TOO SHORT SINCE COMPANY NOT LIKELY TO HAVE REACHED MORE THAN THE BREAKEVEN POINT BY DECEMBER, AND HE DID NOT WANT TO INCREASE THE COMPANY'S CAPITAL STAKE IN PORTUGAL AT A TIME WHEN THE ECONOMIC-POLITICAL CLIMATE WAS STILL UNCERTAIN.

4. COMMENT: ON THE BASIS OF THE LIMITED INFORMATION AVAILABLE TO US WE CONCLUDE THAT THE AM MANAGER DEPARTED SECRETLY BECAUSE HE WAS PESSIMISTIC ABOUT CONTINUED OPERATION IN PORTUGAL AND FEARED THAT ONCE THIS PESSIMISM BECAME KNOWN TO THE WORKERS, HIS PERSONAL SAFETY MIGHT BE JEOPARDIZED. (MANAGER WAS VERY SHAKEN BY MOB ACTION REPORTED REF A). WHILE IT IS UNDERSTANDABLE THAT AM MANAGER WOULD, UNDER THESE CIRCUMSTANCES, WANT TO LEAVE COUNTRY UNANNOUNCED, HIS DOING SO HAS APPARENTLY LEFT A BAD TASTE AT MINISTRY OF LABOR THAT COULD AFFECT OTHER AMERICAN COMPANIES SEEKING THE MINISTRY'S ASSISTANCE AND UNDERSTANDING. POST

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT OVERTHROW, POLITICAL LEADERS, POLITICAL SITUATION, LABOR UNIONS, LABOR STRIKES, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON03286
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740211-0352
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740879/aaaacqaf.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) LISBON 3141; (B) LISBON 3170
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUN 2002 by reddocgw>; APPROVED <22 JAN 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: APPLIED MAGNETICS-SITUATION REPORT
TAGS: ELAB, PINT, PO, APPLIED MAGNETICS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005